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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/07
 LAST UPDATED 02/19/07 HB _____

SPONSOR Ortiz y Pino

SHORT TITLE Medicaid Waiver Cost of Living Adjustment SB 678/aSPAC

ANALYST Geisler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$3,135.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$7,773.1	\$7,773.1	Recurring	HSD-Title XIX Medicaid

(Parenthesis () Indicate Revenue Decreases)

Duplicates: HB 691
 Relates to: HB 604/SB 651

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
 Department of Health (DOH)
 Aging and Long-Term Services (ALTSD)

SUMMARY

Synopsis of SPAC Amendments

The Senate Public Affairs Committee (SPAC) amendments to Senate Bill 678 reduce the amount to be appropriated from \$11,005,000 to \$3,135,000. The original \$9,240,000 to DOH is reduced to \$2,625,000 and original funding of \$1,765,000 to HSD is reduced to \$510,000. HSD notes that the appropriation would be matched with federal dollars at the rate of 71.26% based on the

Federal Medical Assistance Percentage (FMAP) for FY08. The total FMAP for the \$3,135,000 in general fund would be \$7,773,142 in federal funds for a total of \$10,908,142 in available funds for a cost of living increase. HSD notes that this would increase waiver provider rates by less than 4% and would require the additional funding included for providers in subsequent years.

Synopsis of Original Bill

Senate Bill 678, for the Legislative Health and Human Services Committee, would appropriate \$11,005,000 to the Human Services Department (HSD) and the Department of Health (DOH) to provide for a cost of living increase for Medicaid waiver programs. SB 678 would appropriate \$9,240,000 of the total to DOH (developmental disabilities, HIV-AIDS and medically fragile children waivers) and the remaining \$1,765,000 to HSD (disabled and elderly waiver program managed by the Aging and Long-Term Services Department).

FISCAL IMPLICATIONS

HSD notes that the appropriation would be matched with federal dollars at the rate of 71.26%, the Federal Medical Assistance Percentage (FMAP) for FY08. The total FMAP for the \$11,005,000 general fund would be \$27,286,580 for a total \$38,291,580 in available funds. This would increase waiver provider rates by about 3.3%.

Based on Centers for Medicare and Medicaid Services (CMS) 372 Reports for FY 06, the general fund appropriation in HB 691 and the additional FMAP would result in an average cost of living increase of more than 12% across all home and community based services (HCBS) waiver providers.

For this analysis, the percentage of the cost of living average for each HCBS Waiver program was slightly adjusted in order to utilize the entire appropriation. For the developmental disabilities (DD) waiver, the cost of living adjustment would be more than 12%, for a total of \$31,410,856. For the medically fragile waiver, the cost of living adjustment would be more than 12% for a total of \$707,307. For the AIDS waiver, the cost of living adjustment would be more than 10% for a total of \$32,150 for FY 07. For the D&E waiver, the increase would be more than 13% or \$6,141,267 for FY 07.

SB 678 does not specify whether the cost of living increase would be recurring for future fiscal years. This analysis presumes that the HCBS waiver rates for future years would continue to include the original cost of living adjustment rather than reverting to the FY 06 reimbursement rates. An increase of general fund from \$11 million in FY08 to \$12.3 million in FY09 would be needed to sustain the cost of living increase; the Medicaid match would increase from \$27.2 million to \$29 million.

SIGNIFICANT ISSUES

HSD notes they have taken a thoughtful approach to increasing provider rates, using the following criteria in its decision-making process:

- Historical increases;
- Promoting preventive care;

- Establishing parity among rates paid for similar services;
- Provider costs;
- Providers' dependence on Medicaid as a funding stream;
- Rates relative value compared to Medicare.

ADMINISTRATIVE IMPLICATIONS

HSD notes SB 678 would pose additional administrative burden to HSD in that approximately 500 hours of staff time would be required to adjust the rate tables to reflect the cost of living increase. The increase in reimbursement rates for waiver services that would be effectuated by HB 691 may require the submission of amendments to each waiver application. Waiver amendments must be approved by the Centers for Medicare and Medicaid Services (CMS). Implementation of HB 691 would be contingent upon CMS's approval of the waiver amendments, if necessary.

DUPLICATION AND RELATIONSHIP

SB 678 is duplicated by HB 691. SB 678 relates to HB 604/SB 651, which would require that agency Medicaid waiver program budget requests include a cost of living increase annually.

TECHNICAL ISSUES

SB 678 does not appropriate any general fund to cover the costs to ALTSD for a cost of living increase to individuals with Brain Injury (BI) served through the Mi Via Waiver. For FY 07, ALTSD estimates that 200 BI participants will access Mi Via Waiver services with average annual budgets of \$29,749 per participant, for a total BI Mi Via Waiver budget of \$5,949,896.

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